



FRANKLIN REGIONAL RETIREMENT SYSTEM

ACTUARIAL VALUATION as of January 1, 2020

KMS Actuarial, LLC
52 Hunt Road
Kingston, NH 03848

June, 2020



June 16, 2020

Franklin Regional Retirement Board
278 Main Street
Suite 311
Greenfield, MA 01301

Dear Board Members:

We are pleased to present the enclosed report providing the results of our actuarial valuation of the Franklin Regional Retirement System as of January 1, 2020. Our valuation was performed in accordance with the provisions contained in Chapter 32 of the Massachusetts General Laws, "M.G.L.", as of January 1, 2020. Disclosures under GASB Statement No. 67, Financial Reporting for Pension Plans (GASB 67) and GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) are provided in a separate report.

The principal results of our valuation are summarized in Section 2. The Summary of Plan Provisions and Actuarial Assumptions and Methods are shown in Sections 5 and 6, respectively. Section 7 summarizes the demographic profile of active members, retired plan members and beneficiaries and disabled plan members. Asset information and actuarial liabilities are presented in Section 2. The development of the required appropriations pursuant to Chapter 32 of the M.G.L. is shown in Section 3, including a 30-year forecast of the required appropriations and projected cash flows. Section 4 includes a summary of valuation information for PERAC as well as information relating to the primary risks to the System and an assessment of those risks.

This valuation is based upon member data provided by the Franklin Regional Retirement Board and asset information reported to the Public Employee Retirement Administration Commission (PERAC) by the Retirement Board. Although we did not audit the data used in the valuation, we believe that the information is complete and reliable.

Liabilities presented in this report are based on a long-term investment return rate assumption of 7.75%, net of investment expense, compounded annually.

This report was completed in accordance with generally accepted actuarial standards and procedures, and conforms to the Code of Professional Conduct of the American Academy of Actuaries. The actuarial assumptions used in the determination of costs are reasonably related to the experience of the System and to reasonable expectations, and represent our best estimate of anticipated long-term experience under the System.

K M S A C T U A R I E S

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Future actuarial valuation results may differ significantly from the current results presented in this report. Examples of potential sources of volatility include plan experience differing from that anticipated by the economic or demographic assumptions, the effect of new entrants, changes in economic or demographic assumptions, the effect of law changes and the delayed effect of smoothing techniques.

Our valuation follows generally accepted actuarial methods and we perform such tests as we consider necessary to assure the accuracy of the results. The amounts presented in this report have been appropriately determined according to the actuarial assumptions and methods stated herein.

This report is intended for the sole use of the Franklin Regional Retirement System and is intended to provide information to comply with the stated purpose of the report. It may not be appropriate for other purposes.

The undersigned credentialed actuaries are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein. They are available to answer any questions with regard to this report.

Respectfully submitted,



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TABLE OF CONTENTS

SECTION 1	EXECUTIVE SUMMARY	1
SECTION 2	PRINCIPAL VALUATION RESULTS	5
	Market Value of Assets	
	Actuarial Value of Assets	
	Actuarial Liabilities	
	Actuarial Experience	
SECTION 3	CHAPTER 32 OF M.G.L. APPROPRIATIONS	13
	Annual Appropriations	
	Exhibit 3.1 - 30-Year Forecast of Annual Appropriations	
	Exhibit 3.2 - 30-Year Forecast of Cash Flow	
	Forecast Notes	
SECTION 4	DISCLOSURES	17
	4.1 - GASB 67 and GASB 68 Disclosures	
	4.2 - PERAC Disclosure Information	
	4.3 - Risk Measures	
SECTION 5	SUMMARY OF PLAN PROVISIONS	24
SECTION 6	ACTUARIAL ASSUMPTIONS AND METHODS	29
SECTION 7	PLAN MEMBER INFORMATION	33
	Exhibit 7.1 - Summary of Census Data	
	Exhibit 7.2 - Active Members by Age and Years of Service	
	Exhibit 7.3 - Retired and Disabled Plan Members and Beneficiaries	
SECTION 8	GLOSSARY OF TERMS	36

SECTION 1 - EXECUTIVE SUMMARY

Background

We have completed the Actuarial Valuation of the Franklin Regional Retirement System as of January 1, 2020. This valuation is based upon census data provided by the Retirement Board and asset information reported to the Public Employee Retirement Administration Commission (PERAC) by the Franklin Regional Retirement Board. Information for the prior valuation completed as of January 1, 2018 was obtained from the valuation report prepared by KMS Actuaries, LLC.

Massachusetts General Laws

The valuation was prepared in accordance with Chapter 32 of the Massachusetts General Laws ("M.G.L."). The results are based on the active, inactive and retired members and beneficiaries as of January 1, 2020, the assets as of December 31, 2019 and assumptions regarding investment returns, salary increases, mortality, turnover, disability and retirement.

The valuation does not take into consideration:

- ◆ Changes in the law after the valuation date,
- ◆ Transfers between retirement systems pursuant to Section 3(8)(c) of Chapter 32,
- ◆ State-mandated benefits and
- ◆ Cost-of-living increases granted to members in pay status between 1982 and 1997.

GASB Statement Numbers 67 and 68

In June 2012, the GASB approved two related Statements that significantly changed the way pension plans and governments account and report pension liabilities. Effective for plans with fiscal years beginning after June 15, 2013, GASB Statement No. 67, Financial Reporting for Pension Plans, replaced the requirements of Statement No. 25 and effective for employers with fiscal years beginning after June 15, 2014, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of Statement No. 27.

The pension standards reflect changes from those previously in place regarding how governments calculate total pension liability and pension expense. Further, the standards contain requirements for disclosing information in the notes to financial statements and presenting required supplementary information following the notes.

The required disclosures and notes under GASB Statement Number 67 and 68 for the fiscal year ending December 31, 2019 are provided in a separate report.

Assets

This valuation is based upon asset information reported to the Public Employee Retirement Administration Commission (PERAC) by the Franklin Regional Retirement Board. The market value of assets increased from \$143,920,151 as of December 31, 2017 to \$157,113,481 as of December 31, 2019. During the plan years ended 2018 and 2019, the market value rates of return were -3.13% and 17.80%, respectively.

The actuarial value of assets increased from \$138,839,751 as of January 1, 2018 to \$153,191,035 as of January 1, 2020. During the plan years ended 2018 and 2019, the rates of return on the actuarial value of assets were 5.33% and 8.54%, respectively.

SECTION 1 - EXECUTIVE SUMMARY

Changes Since the Last Valuation

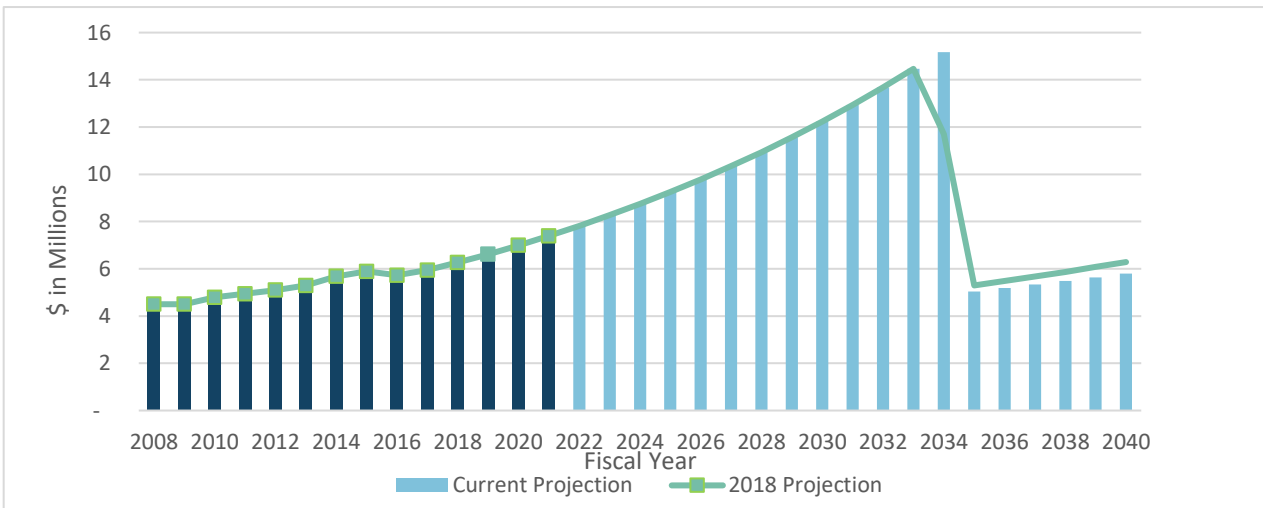
During the two years since the last valuation, the total unfunded actuarial accrued liability of the System was expected to decrease from \$50,800,815 as of January 1, 2018 to \$45,914,084 as of January 1, 2020, for a total decrease of \$4,886,731. The actual unfunded actuarial accrued liability, before any assumption or plan changes, was \$51,315,934, resulting in an actuarial loss of \$5,401,850. The actuarial loss was primarily due to an asset loss of approximately \$2,467,000 and a demographic experience loss of approximately \$2,935,000. The details of the gain and loss analysis are provided in Section 2, Actuarial Experience.

Appropriations

The funding appropriation for each year is computed as the sum of the normal cost, net 3(8)(c) transfers and an amortization payment to pay off the Unfunded Actuarial Liability, adjusted for semi-annual payments of the appropriation made July 1 and January 1. The appropriation calculated as of the January 1, 2020 valuation is \$8,089,753, and is made up of a normal cost payment of \$2,444,100, net 3(8)(c) transfers of \$945,720, and an amortization payment of \$4,699,933. The amortization method is an increasing amortization of the unfunded actuarial accrued liability at 4% over 14 years and is expected to fully pay the unfunded actuarial accrued liability by the year 2034. The development of the appropriation as of January 1, 2020 is presented in Section 3, Annual Appropriations.

For fiscal year 2021, we show the actual appropriation developed under the previous funding schedule and reported on the PERAC "Required Fiscal Year 2021 Appropriation" letter dated December 10, 2019 of \$7,395,189. For fiscal year 2022, we developed an annual appropriation of \$7,820,413, which is made up of a normal cost of \$2,584,508, net 3(8)(c) transfers of \$1,000,000 and payment toward the unfunded actuarial accrued liability of \$4,235,905. The unfunded actuarial accrued liability is expected to be fully paid by 2034. The Board adopted a schedule that limits the annual increase in appropriation to 5.75% for each year. The current funding schedule is shown in Section 3, Exhibit 3.1.

The chart below shows the historical (navy bars) and projected (blue bars) annual appropriations compared to the projected amounts shown in the prior valuation and funding schedule (green line).



SECTION 1 - EXECUTIVE SUMMARY

Plan Provisions

All Plan provisions used in this valuation are the same as those used in the prior valuation and are summarized in Section 5, Summary of Plan Provisions.

Actuarial Assumptions and Methods

Some Actuarial Assumptions and Methods used in this valuation have changed since the last valuation, including increasing administrative expense assumption from \$550,000 to \$600,000, increasing the net 3(8)(c) transfers assumption from \$725,800 to \$1,000,000, and updating the mortality and mortality improvement rates. Changing these assumptions resulted in a net increase in the unfunded actuarial accrued liability of \$1,485,132 and a decrease in the employer normal cost of \$21,214. The Actuarial Assumptions and Methods utilized in this valuation are detailed in Section 6, Actuarial Assumptions and Methods.

Census Data

As of January 1, 2020, there are 1,044 active members who may be eligible for benefits in the future, 633 retirees and beneficiaries, 611 inactives and 23 disabled retirees. Summaries of the active, retired and disabled employees are included in Section 7, Demographic Information.

SECTION 1 - EXECUTIVE SUMMARY

A summary of principal valuation results from the current valuation and the prior valuation follows.

Valuation Date	January 1, 2020	January 1, 2018	% Change
Census Data			
Active Members	1,044	968	7.9%
Valuation Salary	\$39,653,264	\$36,446,439	8.8%
Average Salary	\$37,982	\$37,651	0.9%
Retired Members and Beneficiaries	633	580	9.1%
Total Annual Retirement Allowance	\$10,869,040	\$9,531,184	14.0%
Average Annual Retirement Allowance	\$17,171	\$16,433	4.5%
Disabled Members	23	23	0.0%
Total Annual Retirement Allowance	\$689,946	\$662,171	4.2%
Average Annual Retirement Allowance	\$29,998	\$28,790	4.2%
Inactive Members	611	596	2.5%
Annuity Savings Fund	\$4,356,422	\$3,904,523	11.6%
Funded Status			
Actuarial Accrued Liability (AAL)	\$205,992,101	\$189,640,566	8.6%
Market Value of Assets (MVA)	\$157,113,481	\$143,920,151	9.2%
Unfunded Accrued Liability on MVA	\$48,878,620	\$45,720,415	6.9%
Funded Status on MVA	76.3%	75.9%	0.5%
Actuarial Value of Assets (AVA)	\$153,191,035	\$138,839,751	10.3%
Unfunded Accrued Liability on AVA	\$52,801,066	\$50,800,815	3.9%
Funded Status on AVA	74.4%	73.2%	1.6%
Appropriations			
Fiscal Year 2020	N/A	\$6,993,085	N/A
Fiscal Year 2021	\$7,395,189	\$7,395,189	0.0%
Fiscal Year 2022	\$7,820,413	\$7,820,413	0.0%
Fiscal Year 2023	\$8,270,086	\$8,270,086	0.0%

SECTION 2 - PRINCIPAL VALUATION RESULTS

Market Value of Assets

Asset information is reported annually to the Public Employee Retirement Administration Commission by the Franklin Regional Retirement System. The Market Value of Assets for the three most recent calendar years are as follows:

Calendar Year	2019	2018	2017
Trust Fund Composition at Year-End			
Cash	\$1,579,892	\$1,548,623	\$1,208,508
Short-Term Investments	0	0	0
Fixed Income Securities	0	0	0
Equities	35,253,939	29,944,272	32,026,014
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	15,440,205	6,754,525	7,647,245
Pooled International Equity Funds	8,197,922	6,635,297	7,582,469
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	7,465,181	17,222,143	17,550,548
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	6,604,240	0	0
Pooled Alternative Investments	0	0	0
Pooled Real Estate Funds	16,659,579	15,062,715	14,338,949
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
Hedge Funds	0	0	0
PRIT Cash	0	0	0
PRIT Fund	68,826,976	61,594,028	65,378,002
Interest Due & Accrued	1,149	1,695	678
Prepaid Expenses	6,610	7,202	7,182
Accounts Receivable	65,878	90,611	200,034
Land	0	0	0
Buildings	0	0	0
Accumulated Depreciation - Buildings	0	0	0
Accounts Payable	(2,988,090)	(2,460,693)	(2,019,478)
Total Market Value of Assets	\$157,113,481	\$136,400,418	\$143,920,151

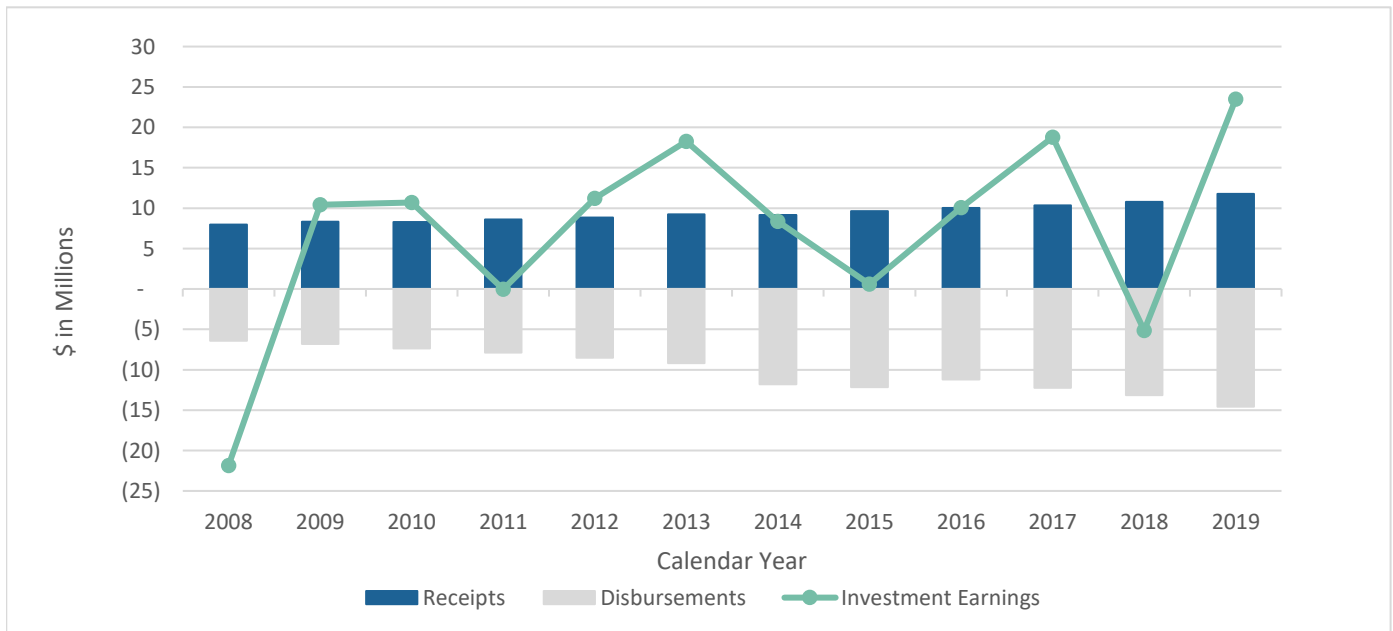
SECTION 2 - PRINCIPAL VALUATION RESULTS

Market Value of Assets

Calendar Year	2019	2018	2017
Funds			
Annuity Savings Fund	\$31,675,250	\$30,591,938	\$30,005,767
Annuity Reserve Fund	11,026,413	10,728,164	10,079,174
Special Military Service Fund	0	0	0
Pension Fund	4,681,370	4,058,870	3,987,926
Expense Fund	0	0	0
Pension Reserve Fund	109,730,448	91,021,446	99,847,284
Total Market Value of Assets	\$157,113,481	\$136,400,418	\$143,920,151
Asset Activity			
Market value as of Beginning of Year	\$136,400,418	\$143,920,151	\$127,050,446
Contributions and Receipts	11,762,103	10,793,297	10,324,005
Benefit Payments and Expenses	(14,549,831)	(13,152,307)	(12,248,806)
Investment Return	23,500,791	(5,160,723)	18,794,506
Total Market Value of Assets	\$157,113,481	\$136,400,418	\$143,920,151

Rate of Return 17.80% -3.13% 15.41%

Below are the receipts and disbursements during the last 12 years. The green line reflects investment earnings, which vacillate as investment markets fluctuate. Blue bars indicate contributions, from employees and employers, and grey bars show benefit payments and administrative expenses.



SECTION 2 - PRINCIPAL VALUATION RESULTS

Actuarial Value of Assets

The Actuarial Value of Assets is the market value of assets as of the valuation date adjusted to phase in investment gains and losses over a 4-year period, further constrained to be within 10% of the market value of assets. Investment gains and losses are the excess or deficiency of the expected returns over the actual returns.

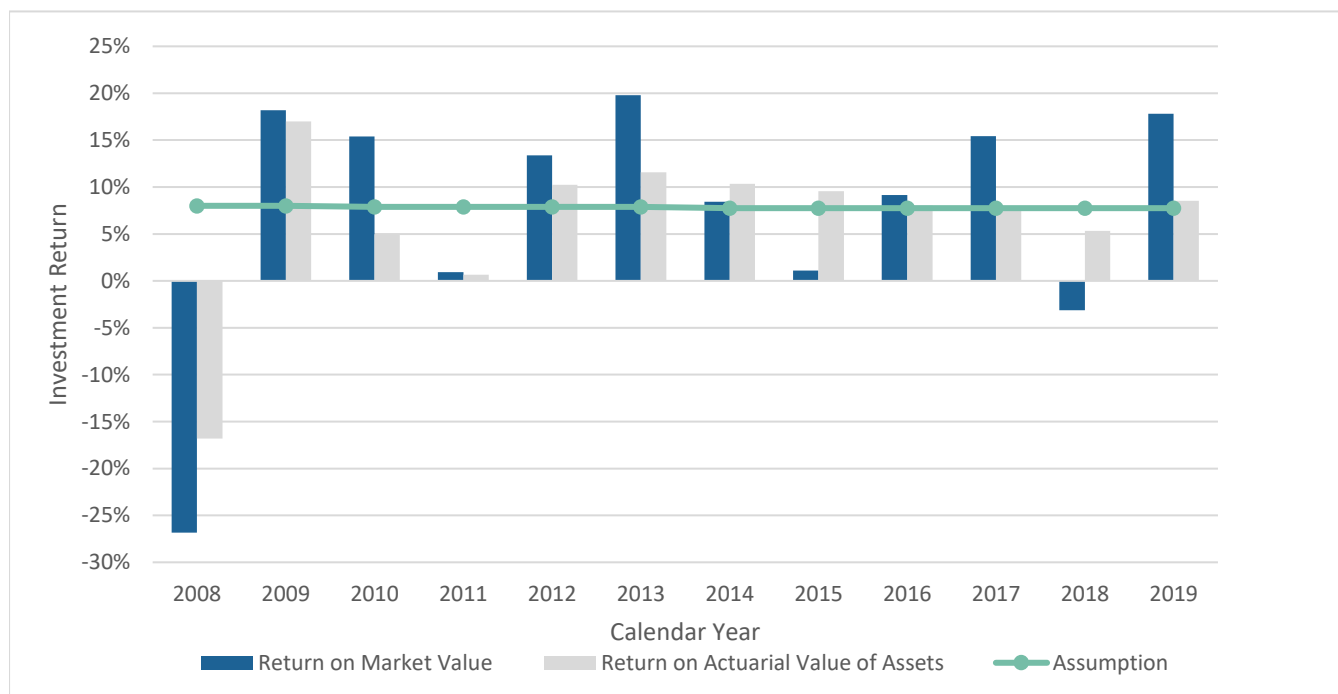
Valuation Date	January 1, 2020	January 1, 2019	January 1, 2018		
1. Expected Market Value of Assets					
a. Market Value of Assets as of prior January 1	\$136,400,418	\$143,920,151	\$127,050,446		
b. Prior Year Contributions and Receipts	11,762,103	10,793,297	10,324,005		
c. Prior Year Benefit Payments and Expenses	(14,549,831)	(13,152,307)	(12,248,806)		
d. Expected Investment Return Rate	7.75%	7.75%	7.75%		
e. Expected Investment Return	10,463,008	11,062,400	9,771,824		
f. Expected Market Value of Assets	\$144,075,698	\$152,623,541	\$134,897,469		
2. Prior Year Gain/(Loss)					
a. Market Value of Assets as of January 1	\$157,113,481	\$136,400,418	\$143,920,151		
b. Expected Market Value of Assets	144,075,698	152,623,541	134,897,469		
c. Prior Year Gain /(Loss)	\$13,037,783	(\$16,223,123)	\$9,022,682		
3. Phase-In of Asset Gains and Losses					
		Unrecognized	Unrecognized	Unrecognized	
	Calendar Year	Gain / (Loss)	Gain / (Loss)	Gain / (Loss)	
a.	2019	\$13,037,783	\$9,778,337	\$0	\$0
b.	2018	(16,223,123)	(8,111,562)	(12,167,342)	0
c.	2017	9,022,682	2,255,671	4,511,341	6,767,012
d.	2016	935,993	0	233,998	467,997
e.	2015	(8,618,435)	0	0	(2,154,609)
f.	Total Deferred Gains/(Losses)	\$3,922,446	(\$7,422,003)	\$5,080,400	

SECTION 2 - PRINCIPAL VALUATION RESULTS

Actuarial Value of Assets

Valuation Date	January 1, 2020	January 1, 2019	January 1, 2018
4. Actuarial Value of Assets			
a. Market Value of Assets	\$157,113,481	\$136,400,418	\$143,920,151
b. Deferred Gains/(Losses)	3,922,446	(7,422,003)	5,080,400
c. Market Value of Assets Less Deferred Gains/(Losses)	\$153,191,035	\$143,822,421	\$138,839,751
d. 90% of Market Value of Assets	141,402,133	122,760,376	129,528,136
e. 110% of Market Value of Assets	172,824,829	150,040,460	158,312,166
f. Actuarial Value of Assets, a., but not less than b. and not greater than c.	\$153,191,035	\$143,822,421	\$138,839,751
g. Ratio of Actuarial Value of Assets to Market Value of Assets	97.5%	105.4%	96.5%
5. Rate of Return on Actuarial Value of Assets for Prior Calendar Year	8.54%	5.33%	7.71%

Below are the investment returns during the last 12 years. The green line reflects the investment return actuarial assumption. Blue bars indicate investment return rates on market value of assets, and grey bars show investment return rates on actuarial value of assets.



SECTION 2 - PRINCIPAL VALUATION RESULTS

Actuarial Liabilities

The **Actuarial Present Value of Future Benefits** is the present value of the cost to finance all benefits payable in the future, discounted to reflect the probability of payment and the time value of money. Below is the Actuarial Present Value of Future Benefits from the current valuation and the prior valuation:

Valuation Date	<u>January 1, 2020</u>	<u>January 1, 2018</u>
Actives	\$125,861,154	\$121,901,389
Retired Members and Beneficiaries	111,694,830	96,165,822
Disabled Members	8,692,049	8,596,672
Inactive Members	4,356,422	3,904,523
Total Present Value of Future Benefits	\$250,604,455	\$230,568,406

The **Actuarial Accrued Liability** is the portion of the Actuarial Present Value of Future Benefits which is allocated to all periods prior to a valuation year and therefore is not provided for by future Normal Costs. Below is the Actuarial Accrued Liability from the current valuation and the prior valuation:

Valuation Date	<u>January 1, 2020</u>	<u>January 1, 2018</u>
Actives	\$81,248,800	\$80,973,549
Retired Members and Beneficiaries	111,694,830	96,165,822
Disabled Members	8,692,049	8,596,672
Inactive Members	4,356,422	3,904,523
Total Actuarial Accrued Liability	\$205,992,101	\$189,640,566

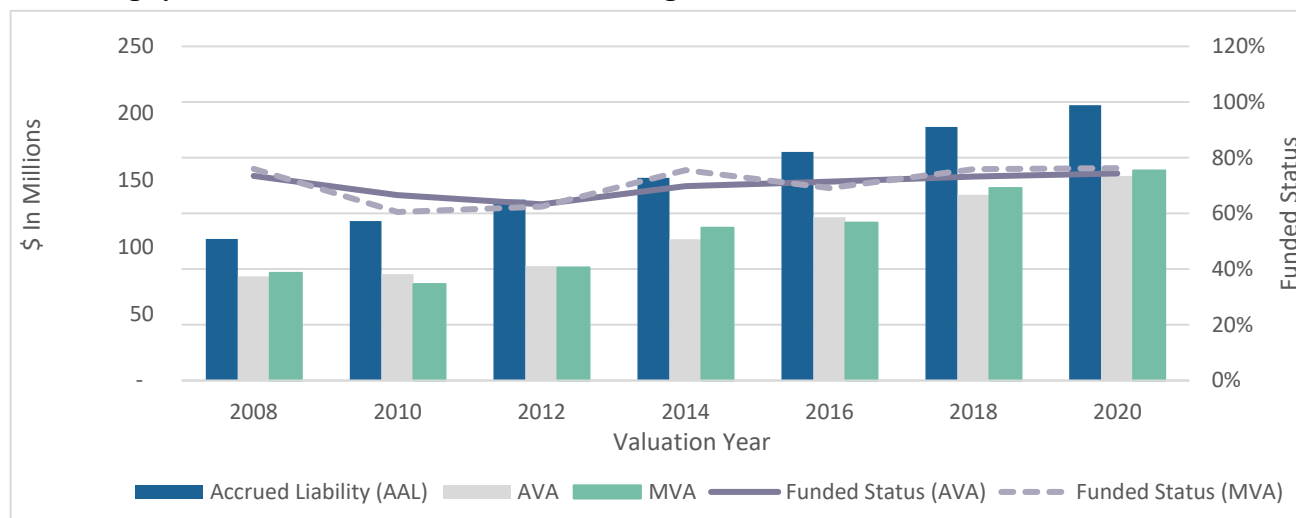
The **Unfunded Actuarial Accrued Liability** is the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets as of the valuation date. The **Funded Status** is the Actuarial Value of Assets divided by the Actuarial Accrued Liability and is a point-in-time measurement of the amount of assets set aside to cover actuarial accrued liabilities. Below is the Unfunded Actuarial Accrued Liability and Funded Status from the current valuation and the prior valuation:

Valuation Date	<u>January 1, 2020</u>	<u>January 1, 2018</u>
Unfunded Actuarial Accrued Liability		
a. Actuarial Accrued Liability	\$205,992,101	\$189,640,566
b. Actuarial Value of Assets	153,191,035	138,839,751
c. Unfunded Actuarial Accrued Liability (a. - b.)	\$52,801,066	\$50,800,815
d. Funded Status (b. divided by a.)	74.4%	73.2%

SECTION 2 - PRINCIPAL VALUATION RESULTS

Actuarial Liabilities

Below are the accrued liabilities, asset values (actuarial and market) and funded status for each of the last 7 valuations. The purple solid line reflects the funded status on an actuarial value of assets (AVA) basis and the purple dotted line reflects the funded status on a market value (MVA) basis. Blue bars indicate actuarial accrued liabilities, grey bars indicate actuarial value of assets and green bars indicate market value of assets.



The **Normal Cost** is the portion of the Actuarial Present Value of Future Benefits which is allocated to a valuation year. Only active employees who have not reached Normal Retirement Age incur a Normal Cost. Below is the Normal Cost from the current valuation and the prior valuation:

Valuation Date	January 1, 2020	January 1, 2018
Total Normal Cost	\$5,440,652	\$5,063,236
As of Percentage of Salary	13.7%	13.9%
Employee Normal Cost	\$3,596,552	\$3,303,920
As of Percentage of Salary	9.1%	9.1%
Administrative Expenses	\$600,000	\$550,000
As a Percentage of Salary	1.5%	1.5%
Net Employer Normal Cost	\$2,444,100	\$2,309,316
As a Percentage of Salary	6.2%	6.3%

SECTION 2 - PRINCIPAL VALUATION RESULTS

Actuarial Experience

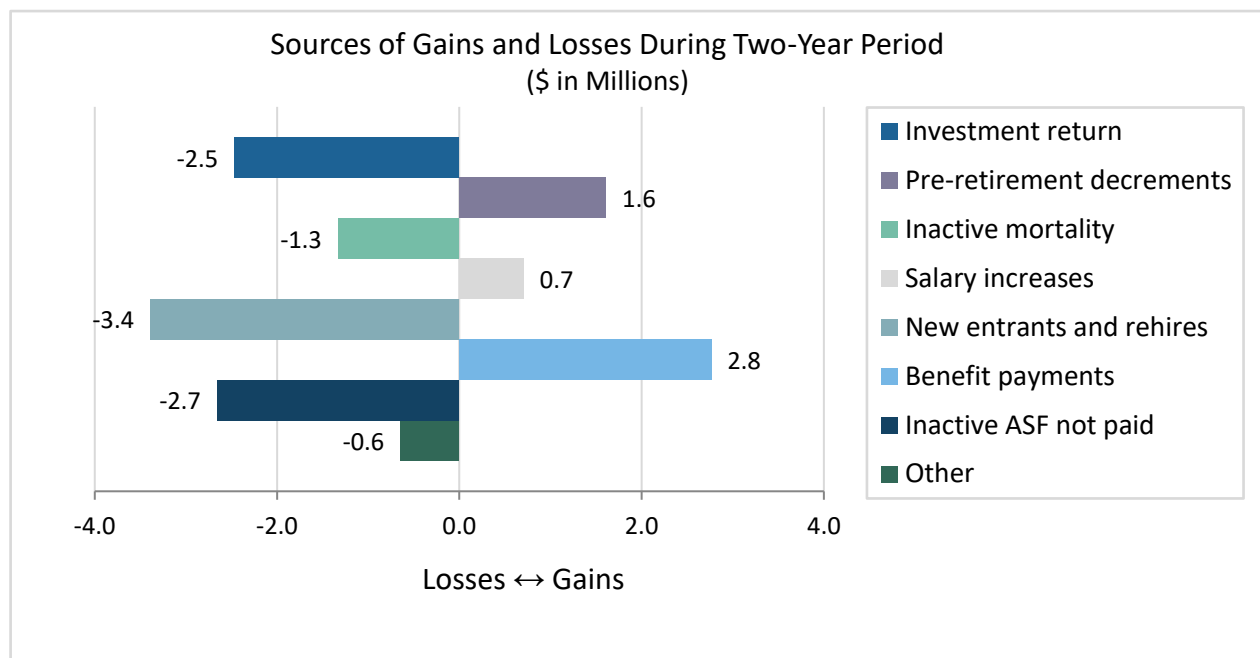
In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. During the two years since the last valuation, the total unfunded actuarial accrued liability of the System was expected to decrease by \$4,886,731. Below is the development of the Actuarial Loss for the current 2-year period:

Calendar Year Ending	December 31, 2019	December 31, 2018
Expected Unfunded Actuarial Accrued Liability		
1. Unfunded Actuarial Accrued Liability, beginning of year	\$48,981,978	\$50,800,815
2. Normal cost, beginning of year	4,968,805	5,063,236
3. Total contributions	11,762,103	10,793,297
4. Interest (full year on 1. and 2., one-half year on 3.)	3,725,404	3,911,224
5. Expected Unfunded Actuarial Accrued Liability	\$45,914,084	\$48,981,978
6. Unfunded Actuarial Accrued Liability (before changes)	51,315,934	
7. (Gain)/Loss (6. - 5.)	\$5,401,850	
Asset Gain/(Loss)		
1. Actuarial value of assets, beginning of year	\$143,822,421	\$138,839,751
2. Contributions and Receipts	11,762,103	10,793,297
3. Benefit Payments and Expenses	(14,549,831)	(13,152,307)
4. Assumed rate of return (prior valuation)	7.75%	7.75%
5. Expected return	11,038,213	10,668,669
6. Actuarial value of assets, end of year	\$153,191,035	\$143,822,421
7. Actual return	12,156,342	7,341,680
8. Actual rate of return	8.54%	5.33%
9. Asset Gain/(Loss) (7. - 5.)	1,118,129	(3,326,989)
10. Total asset Gain/(Loss), 2-year period	(\$2,466,702)	

SECTION 2 - PRINCIPAL VALUATION RESULTS

Actuarial Experience

Below are the various sources of gains and losses over the 2-year period. The asset loss during the period was \$2,466,702, and the total demographic loss during the period was \$2,935,148, which totals to an overall loss of \$5,401,850.



Unfunded Actuarial Accrued Liability

1. Changes due to:	
a. Asset Loss	\$2,466,702
b. Demographic Experience Loss	2,935,148
c. Total Loss prior to changes	5,401,850
d. Plan change	-
e. Assumption change - change in mortality and mortality improvement rates	1,485,132
f. Total Increase (including changes)	6,886,982
2. Unfunded Actuarial Accrued Liability, end of year	\$52,801,066

SECTION 3 - CHAPTER 32 OF M.G.L. APPROPRIATIONS

Annual Appropriations

The **Annual Appropriation** is determined in accordance with the requirements set forth in Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws ("M.G.L."). The appropriation is comprised of the annual employer normal cost and amortization payments to pay the unfunded actuarial accrued liability. Below are the details of the annual appropriations for the current and prior valuations, adjusted for semi-annual payments made each July 1 and January 1. The appropriations shown are based on the results of the valuations and do not account for any adjustments made to appropriations in the selected funding schedule.

Valuation Date	<u>January 1, 2020</u>	<u>January 1, 2018</u>
1. Early Retirement Incentive Plan (2002)		
Fully Funded Year	2019	2019
Investment Return Rate	7.75%	7.75%
Balance as of valuation date	\$0	\$134,968
Amortization Amount	\$0	\$134,968
Increasing Rate	0.00%	0.00%
Remaining Payment Period (from Valuation date)	0	1
2. Early Retirement Incentive Plan (2003)		
Fully Funded Year	2020	2020
Investment Return Rate	7.75%	7.75%
Balance as of valuation date	\$0	\$78,048
Amortization Amount	\$0	\$40,480
Increasing Rate	0.00%	0.00%
Remaining Payment Period (from Valuation date)	0	2
3. Unfunded Actuarial Accrued Liability		
Fully Funded Year	2034	2034
Balance as of valuation date	\$52,801,066	\$50,587,799
Amortization Amount	\$4,699,933	\$4,069,404
Increasing Rate	4.00%	4.00%
Remaining Payment Period (from Valuation date)	14	16
4. Total Amortization Payments	\$4,699,933	\$4,244,852
5. Normal Cost	\$2,444,100	\$2,309,316
6. Net 3(8)(c) Transfers	\$945,720	\$686,404
7. Total Appropriation as of January 1	\$8,089,753	\$7,240,572
8. Adjusted for Payments as of July 1 and January 1	\$8,554,066	\$7,656,146

SECTION 3 - CHAPTER 32 OF M.G.L. APPROPRIATIONS

Exhibit 3.1 - 30-Year Forecast of Annual Appropriations

Fiscal Year Ending	Employer Normal Cost	Amortization Payment of UAL	Net 3(8)(c) Transfers	Total Employer Cost	Increase over Prior Year	Unfunded Actuarial Accrued Liability
2021	\$2,531,510	\$4,137,879	\$725,800	\$7,395,189		\$52,801,066
2022	2,584,508	4,235,905	1,000,000	7,820,413	5.75%	52,676,595
2023	2,674,966	4,595,120	1,000,000	8,270,086	5.75%	52,442,588
2024	2,768,590	4,977,026	1,000,000	8,745,616	5.75%	51,824,399
2025	2,865,490	5,382,999	1,000,000	9,248,489	5.75%	50,769,133
2026	2,965,783	5,814,494	1,000,000	9,780,277	5.75%	49,218,392
2027	3,069,586	6,273,057	1,000,000	10,342,643	5.75%	47,107,770
2028	3,177,021	6,760,324	1,000,000	10,937,345	5.75%	44,366,292
2029	3,288,217	7,278,025	1,000,000	11,566,242	5.75%	40,915,818
2030	3,403,305	7,827,996	1,000,000	12,231,301	5.75%	36,670,388
2031	3,522,420	8,412,181	1,000,000	12,934,601	5.75%	31,535,509
2032	3,645,705	9,032,636	1,000,000	13,678,341	5.75%	25,407,385
2033	3,773,305	9,691,541	1,000,000	14,464,846	5.75%	18,172,080
2034	3,905,371	10,261,603	1,000,000	15,166,974	4.85%	9,704,605
2035	4,042,058	-	1,000,000	5,042,058	-66.76%	-
2036	4,183,530	-	1,000,000	5,183,530	2.81%	-
2037	4,329,953	-	1,000,000	5,329,953	2.82%	-
2038	4,481,501	-	1,000,000	5,481,501	2.84%	-
2039	4,638,353	-	1,000,000	5,638,353	2.86%	-
2040	4,800,696	-	1,000,000	5,800,696	2.88%	-
2041	4,968,720	-	1,000,000	5,968,720	2.90%	-
2042	5,142,626	-	1,000,000	6,142,626	2.91%	-
2043	5,322,618	-	1,000,000	6,322,618	2.93%	-
2044	5,508,910	-	1,000,000	6,508,910	2.95%	-
2045	5,701,721	-	1,000,000	6,701,721	2.96%	-
2046	5,901,282	-	1,000,000	6,901,282	2.98%	-
2047	6,107,826	-	1,000,000	7,107,826	2.99%	-
2048	6,321,599	-	1,000,000	7,321,599	3.01%	-
2049	6,542,855	-	1,000,000	7,542,855	3.02%	-
2050	6,771,855	-	1,000,000	7,771,855	3.04%	-

SECTION 3 - CHAPTER 32 OF M.G.L. APPROPRIATIONS

Exhibit 3.2 - 30-Year Forecast of Cash Flow

Calendar Year	Market Value of Assets, BOY	Benefit Payments	Employee Contributions	Employer Contributions	Investment Return	Market Value of Assets, EOY
2020	\$157,113,481	\$16,936,532	\$3,596,552	\$6,993,779	\$12,340,755	\$163,108,035
2021	163,108,035	13,290,333	3,722,431	7,136,605	12,967,448	173,644,186
2022	173,644,186	14,053,508	3,852,716	7,821,187	13,817,578	185,082,159
2023	185,082,159	14,740,981	3,987,561	8,270,905	14,722,685	197,322,329
2024	197,322,329	15,418,190	4,127,126	8,746,483	15,692,730	210,470,478
2025	210,470,478	16,150,708	4,271,575	9,249,405	16,733,498	224,574,248
2026	224,574,248	16,879,111	4,421,080	9,781,246	17,851,119	239,748,582
2027	239,748,582	17,634,930	4,575,818	10,343,668	19,053,422	256,086,560
2028	256,086,560	18,389,307	4,735,972	10,938,428	20,348,889	273,720,542
2029	273,720,542	19,027,470	4,901,731	11,567,388	21,752,384	292,914,575
2030	292,914,575	19,677,207	5,073,292	12,232,513	23,279,588	313,822,761
2031	313,822,761	20,562,681	5,250,857	12,935,883	24,933,932	336,380,752
2032	336,380,752	21,488,002	5,434,637	13,679,697	26,718,209	360,725,293
2033	360,725,293	22,454,962	5,624,849	14,343,713	28,633,644	386,872,537
2034	386,872,537	23,465,435	5,821,719	4,768,376	29,894,068	403,891,265
2035	403,891,265	24,521,380	6,025,479	4,902,169	31,198,262	421,495,795
2036	421,495,795	25,624,842	6,236,371	5,040,644	32,546,930	439,694,898
2037	439,694,898	26,777,960	6,454,644	5,183,966	33,940,701	458,496,249
2038	458,496,249	27,982,968	6,680,557	5,332,304	35,380,116	477,906,258
2039	477,906,258	29,242,202	6,914,376	5,485,835	36,865,616	497,929,883
2040	497,929,883	30,558,101	7,156,379	5,644,739	38,397,526	518,570,426
2041	518,570,426	31,933,216	7,406,852	5,809,205	39,976,040	539,829,307
2042	539,829,307	33,370,211	7,666,092	5,979,427	41,601,203	561,705,818
2043	561,705,818	34,871,870	7,934,405	6,155,607	43,272,892	584,196,852
2044	584,196,852	36,441,104	8,212,109	6,337,953	44,990,793	607,296,603
2045	607,296,603	38,080,954	8,499,533	6,526,681	46,754,381	630,996,244
2046	630,996,244	39,794,597	8,797,017	6,722,014	48,562,893	655,283,571
2047	655,283,571	41,585,354	9,104,913	6,924,184	50,415,299	680,142,613
2048	680,142,613	43,456,695	9,423,585	7,133,430	52,310,274	705,553,207
2049	705,553,207	45,412,246	9,753,410	7,350,000	54,246,163	731,490,534

SECTION 3 - CHAPTER 32 OF M.G.L. APPROPRIATIONS

Forecast Notes

Exhibit 3.1:

- ◆ The Employer Normal Cost is expected to increase 3.5% per year.
- ◆ The Unfunded Actuarial Accrued Liability ("UAL") is computed as of January 1 of each year assuming no future gains or losses.
- ◆ The Amortization Payment of UAL is an increasing payment at 4% paid over 14 years through 2034.
- ◆ Net 3(8)(c) transfers are a level dollar amount based on the net transfers expected to be paid by the Franklin Regional Retirement Board during the current year offset by the amount received during the same period.
- ◆ Total Employer Cost is the sum of the Employer Normal Cost, net 3(8)(c) transfers and the Amortization of the UAL, all computed as of January 1 of each year and adjusted for semi-annual payments made on July 1 and January 1.
- ◆ For fiscal year 2021, we show the actual appropriation developed under the previous funding schedule of \$7,395,189. For fiscal years 2022 and later, the Board has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by 2034, with annual employer costs limited to increases of 5.75% over the prior year.

Exhibit 3.2:

- ◆ Expected benefit payments include payments expected to be made to retired members, beneficiaries, disabled members and active members expected to retire. In addition, expected benefit payments include distribution of the annuity savings fund attributed to inactive members.
- ◆ Benefit payments exclude cost-of-living increases granted to members in pay status between 1982 and 1997. In addition, benefit payments are as expected for the first ten years of the forecast, then increase by the greater of 4.5% per year thereafter or the expected future payments for the current population projected by our computer model.
- ◆ Calendar year cash flow entries are developed as of each January 1.

SECTION 4 - DISCLOSURES

4.1 - GASB 67 and GASB 68 Disclosures

In June 2012, the GASB approved two related Statements that significantly changed the way pension plans and governments account and report pension liabilities. Effective for plans with fiscal years beginning after June 15, 2013, GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaced the requirements of Statement No. 25 and effective for employers with fiscal years beginning after June 15, 2014, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaced the requirements of Statement No. 27.

The pension standards reflect changes from those previously in place regarding how governments calculate total pension liability and pension expense. Further, the standards contain requirements for disclosing information in the notes to financial statements and presenting required supplementary information following the notes.

GASB 67 requires defined benefit pension plans, such as the Franklin Regional Retirement System, to present a statement of fiduciary net position (pension plan assets) and a statement of changes in fiduciary net position. Further, the statement requires that notes to financial statements include descriptive information such as the types of benefits provided, the classes of plan members covered and the composition of the pension plan's retirement board. Finally, GASB 67 requires pension plans to present in required supplementary information the sources of the changes in the net pension liability and information about the actuarially determined contributions compared with the actual contributions made to the plan and related ratios.

GASB 67 and GASB 68 require projected benefit payments be discounted to their actuarial present value using the single rate that reflects:

- (1) a long-term expected rate of return on pension plan investments *to the extent that the pension plan's assets are sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and*
- (2) a tax-exempt, high-quality municipal bond rate *to the extent that the conditions for use of the long-term expected rate of return are not met.*

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and pension expense by state and local governments.

The effective date for GASB 67 is for plan years beginning after June 15, 2013, which is fiscal year ending December 31, 2014 for the Franklin Regional Retirement System. The effective date for GASB 68 is for employers' fiscal years beginning after June 15, 2014. The GASB report, submitted under separate cover and prepared as of December 31, 2019 (the measurement date), presents information to assist the Franklin Regional Retirement System in providing the required information under GASB 68 to participating employers.

SECTION 4 - DISCLOSURES

4.2 - PERAC Disclosure Information

The most recent actuarial valuation of the System was prepared by KMS Actuaries, LLC as of January 1, 2020.

Normal Cost - Employees	\$3,596,552	9.1% of payroll
Normal Cost - Employers	\$2,444,100	6.2% of payroll

Actuarial Liability - Active Members	\$81,248,800	39% of total AAL
Actuarial Liability - Retired and Inactive Members	124,743,301	61% of total AAL
Total Actuarial Liability (AAL)	<u>\$205,992,101</u>	

System Assets	\$153,191,035
Unfunded Actuarial Accrued Liability	\$52,801,066

Funded Status	74.4%
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Principal actuarial assumptions used in the valuation:

Investment Return	7.75%
Rate of Salary Increase	Based on service, 6% graded down to 4.25% for Group 1 Based on service, 7% graded down to 4.75% for Group 4

SECTION 4 - DISCLOSURES

4.3 - Risk Measures

The Franklin Regional Retirement System is subject to certain risks that could affect the plan's future financial condition. Here we identify the primary risks to the System, provide some background information about those risks, and provide an assessment of those risks in accordance with Actuarial Standards of Practice (ASOP) 51.

Risk is the potential of actual future measurements deviating from expected future measurements resulting from actual future experience deviating from actuarially assumed experience. Examples of potential risks that may be reasonably anticipated to significantly affect the future financial condition of the plan include the following:

- ◆ **Investment risk** - the potential that investment returns will be different than expected.
- ◆ **Asset/liability mismatch risk** - the potential that changes in asset values are not matched by changes in the value of liabilities.
- ◆ **Interest rate risk** - the potential that interest rates will be different than expected.
- ◆ **Longevity and other demographic risks** - the potential that mortality or other demographic experience will be different than expected.
- ◆ **Contribution risk** - the potential of actual future contributions deviating from expected future contributions. For example, that actual contributions are not made in accordance with the plan's funding policy, that other anticipated payments to the plan are not made, or that material changes occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base.

We have provided several risk measures in this section that we believe are most significant for the plan. However, we believe that a more rigorous assessment of risk would be beneficial to the Board to understand the risks identified above, such as:

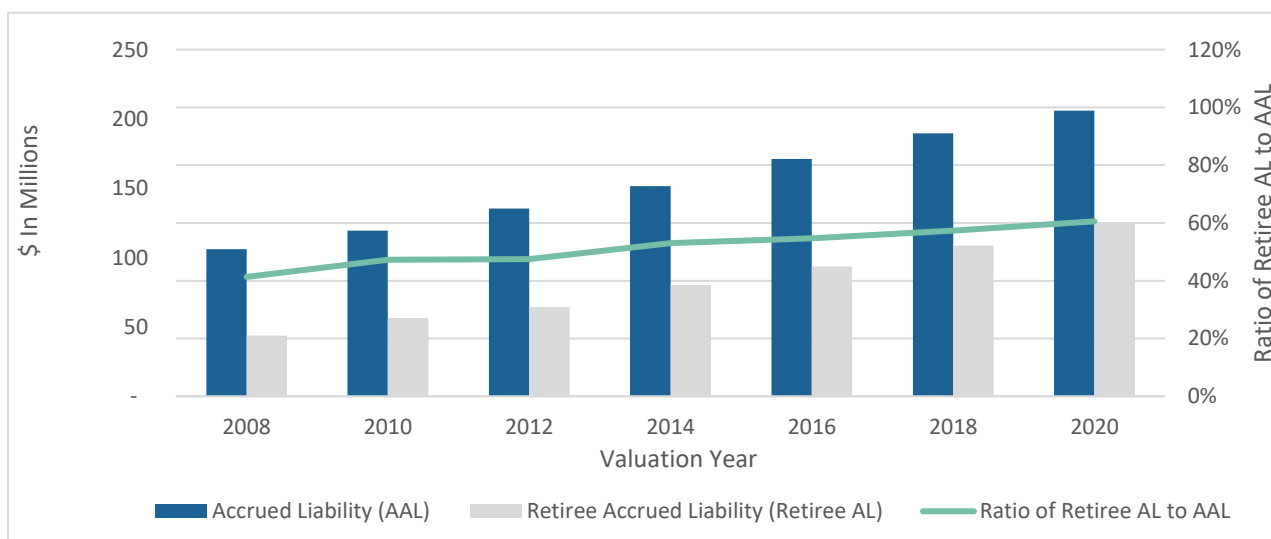
- ◆ **Scenario Test** - a process for assessing the impact of one possible event, or several simultaneous or sequentially occurring possible events, on a plan's financial condition.
- ◆ **Sensitivity Test** - a process for assessing the impact of a change in an actuarial assumption on an actuarial measurement.
- ◆ **Stochastic Modeling** - a process for generating numerous potential outcomes by allowing for random variations in one or more inputs over time for the purpose of assessing the distribution of those outcomes.
- ◆ **Stress Test** - a process for assessing the impact of adverse changes in one or relatively few factors affecting a plan's financial condition.

SECTION 4 - DISCLOSURES

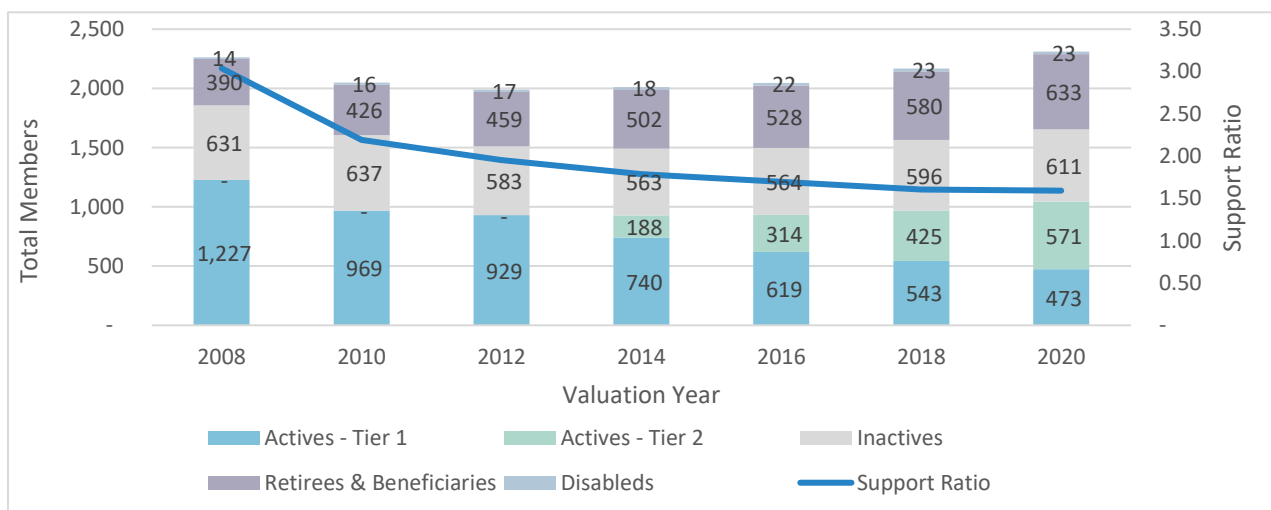
4.3 - Risk Measures

Maturity Measures

As retirement systems mature they become much more sensitive to risks. This is because a higher proportion of the actuarial liability is attributable to participants who are no longer active. Plan maturity measures are helpful in understanding the risks associated with a plan. One such maturity measure is the ratio of the system's retiree liability to its total liability. A retirement system in its infancy will have a very low ratio of retiree liability to total liability. As the system matures, the ratio starts increasing. A mature plan will often have a ratio above 60%. For the Franklin Regional Retirement System and other retirement systems in the United States these ratios have been steadily increasing in recent years.



Another maturity measure is the ratio of actives to retirees, or support ratio. A retirement system in its infancy will have a very high ratio of active to retired members. As the system matures, and members retire, the support ratio starts declining. A mature system will often have a support ratio near or below one.



SECTION 4 - DISCLOSURES

4.3 - Risk Measures

Volatility Indices

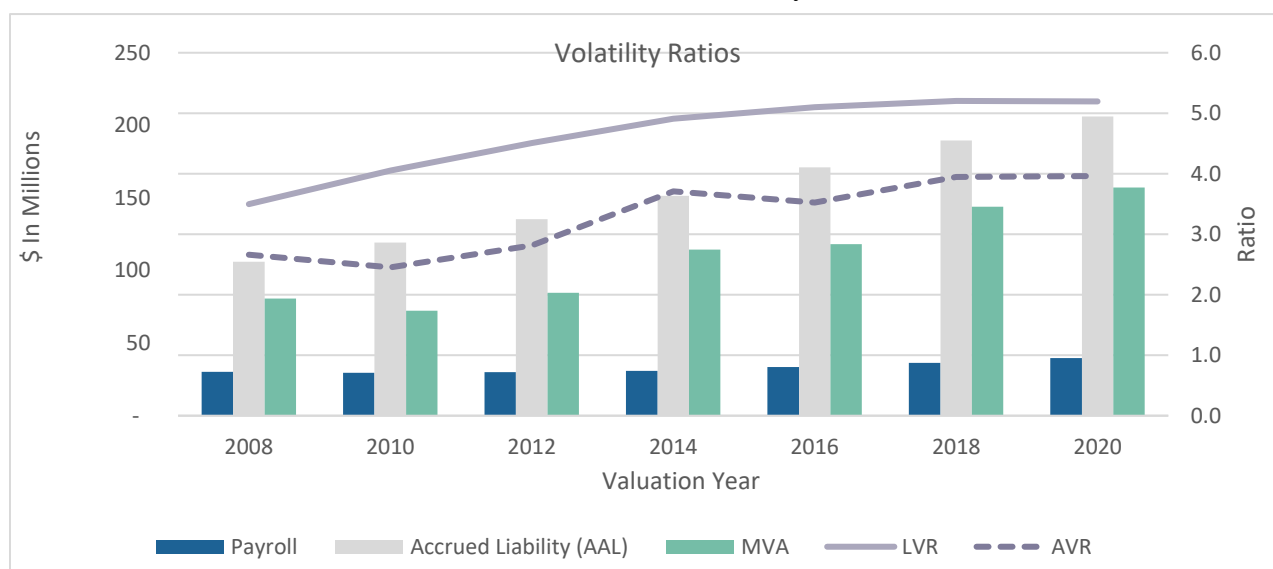
Volatility indices are measures of the relative sensitivity of employer contributions to changes in assets or liabilities. Below we present two such indices - the Asset Volatility Ratio (AVR) and the Liability Volatility Ratio (LVR):

Asset Volatility Ratio (AVR)

The Asset Volatility Ratio (AVR) is the ratio of the Market Value of Assets (MVA) to Payroll. Systems with a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. This ratio indicates a measure of the system's current contribution volatility. The AVR increases over time but generally tends to stabilize as the system matures.

Liability Volatility Ratio (LVR)

The Liability Volatility Ratio (LVR) is the ratio of the Actuarial Accrued Liability (AAL) to Payroll. Systems with a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to the investment return assumption and changes in liability. This ratio indicates a longer-term potential for contribution volatility. The AVR, described above, will tend to move close to the LVR as the system matures.

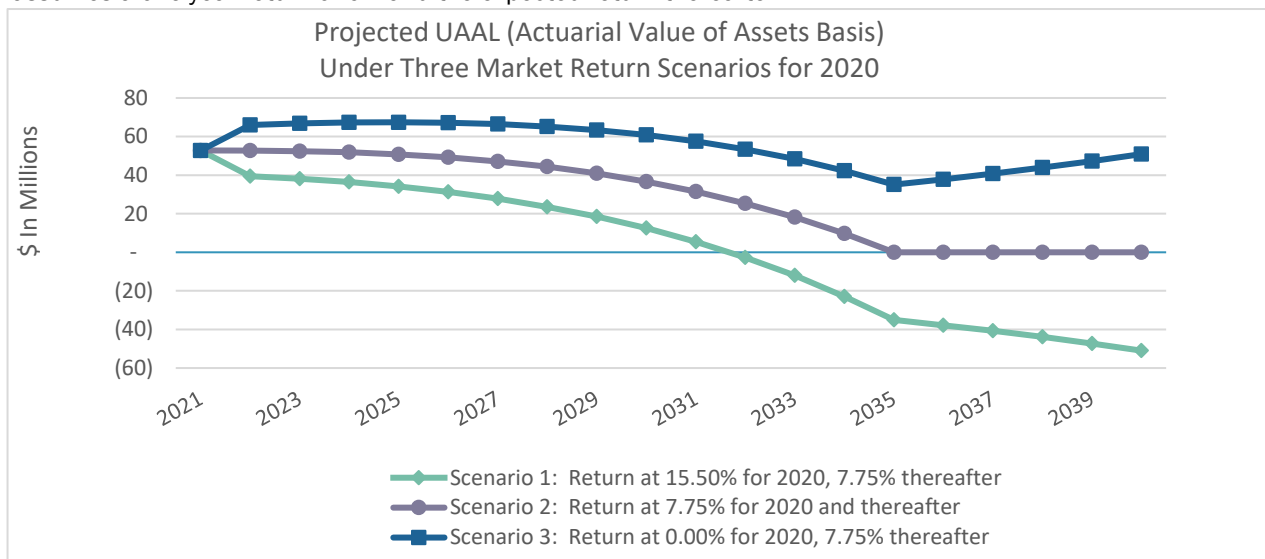


SECTION 4 - DISCLOSURES

4.3 - Risk Measures

Market Return Scenarios

Below we illustrate the projected effect on funding levels of a single year of investment return above or below the assumed investment return. Scenario 1 assumes a one-year return of 2 times the assumed return and the expected return thereafter, Scenario 2 assumes assets earn the expected return every year and Scenario 3 assumes a one-year return of 0% and the expected return thereafter.



Sensitivity Analysis

The following presents the Actuarial Accrued Liability and Funded Status calculated using the investment return rate of 7.75%, as well as what the Actuarial Accrued Liability and Funded Status would be if it were calculated using an investment return rate 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the assumed investment return rate:

	1% Decrease (6.75%)	Current Investment Return Rate (7.75%)	1% Increase (8.75%)
Actuarial Accrued Liability	\$228,815,018	\$205,992,101	\$186,667,342
% Change	11%		-9%
Actuarial Value of Assets	\$153,191,035	\$153,191,035	\$153,191,035
Unfunded Actuarial Accrued Liability	75,623,983	52,801,066	33,476,307
% Change	43%	N/A	-37%
Funded Status	66.95%	74.37%	82.07%

SECTION 4 - DISCLOSURES

4.3 - Risk Measures

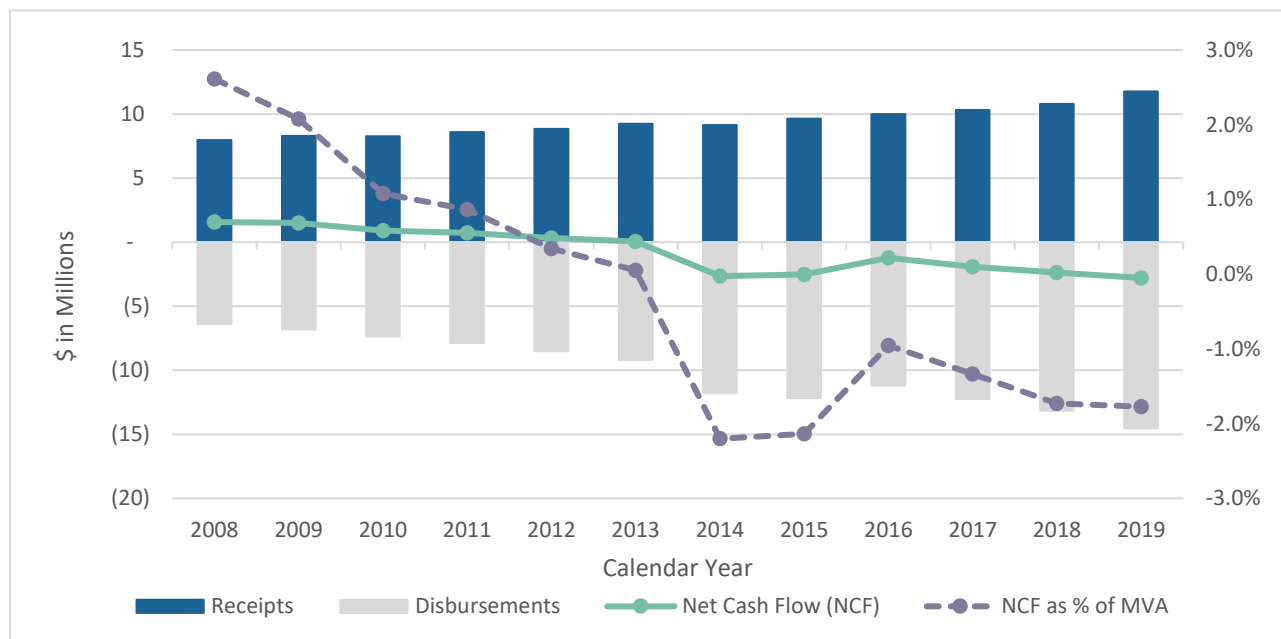
Duration

Duration is another measure that is used to describe how the present value of a cash flow series changes when small changes are made to the underlying interest rates. The duration of the Franklin Regional Retirement System is 10, and this represents an approximate percentage change in the Actuarial Accrued Liability for each 1% change to the investment return rate.

Net Cash Flow (NCF)

Net cash flow (NCF) during a year is the difference between contributions, both employer and employee, paid into the System and benefit payments and expenses. If the level of benefit payments plus expenses is greater than contributions, then the System has negative NCF. Mature plans generally have a negative NCF as the number of retirees grows. When a System has negative NCF, then additional cash from existing assets are needed to pay the pension benefits.

Historical NCF since 2008 is shown in the next graph. Blue bars indicate contributions, from employees and employers, and grey bars show benefit payments and administrative expenses. The NCF is represented by the green line. The dashed purple line (which corresponds to the right-hand axis) provides the NCF as a percentage of the Market Value of Assets. As of December 31, 2019, the NCF was negative \$2.8 million, which represents 1.8% of the Market Value of Assets. The NCF falls within the range of -2.2% to 2.6% of total assets over the 12-year period.



SECTION 5 - SUMMARY OF PLAN PROVISIONS

Administration	There are 104 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws and other applicable statutes. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.	
Participation	Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the local retirement board, and approved by PERAC. Membership is optional for certain elected officials.	
Membership Groups	There are four membership groups in the Retirement System:	
	Group 1	General employees, including clerical, administrative, technical and all other employees not otherwise classified.
	Group 2	Certain specified hazardous duty positions.
	Group 3	State police officers and inspectors.
	Group 4	Local police officers, firefighters and other specified hazardous positions.
	For members in more than one group, participation will be proportional.	
Member Contributions	Member contributions vary depending on the most recent date of membership:	
	Prior to 1975	5% of Salary
	1975 – 1983	7% of Salary
	1984 – June 30, 1996	8% of Salary
	July 1, 1996 – present	9% of Salary
	1979 – present	An additional 2% of Salary in excess of \$30,000.
	Group 1 members hired on or after April 2, 2012	6% of Salary with 30 or more years of creditable service.
Rate of Interest	Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least ten financial institutions.	

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Retirement Age

The mandatory retirement age for some Group 2 and Group 4 members is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for members in Group 1.

Salary

Gross regular compensation. This does not include bonuses, overtime, severance pay, unused sick leave credit or other similar compensation.

Average Salary

- Membership before April 2, 2012** ♦ Average annual rate of regular compensation received during the three consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- Membership on or after April 2, 2012** ♦ Average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement.

Creditable Service

The period during which a member contributes to the retirement system plus certain periods of military service and “purchased” service.

Benefit Rate

The benefit rate varies with the member's retirement age, Group, membership date and years of creditable service at retirement. Each year a member retires prior to the age at which the 2.5% maximum benefit rate applies, a reduction is applied to each year of age under the maximum age. The maximum age and reduction for each Group and membership date is as follows:

	Group 1	Group 2	Group 4
2.5% for Membership before April 2, 2012:			
Maximum age:	65	60	55
Reduction:	0.1%	0.1%	0.1%
2.5% for Membership on or after April 2, 2012 (less than 30 years of service):			
Maximum age:	67	62	57
Reduction:	0.15%	0.15%	0.15%
2.5% for Membership on or after April 2, 2012 (30+ years of service):			
Maximum age:	67	62	57
Reduction:	0.125%	0.125%	0.125%

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Superannuation Retirement	Eligibility if membership before April 2, 2012	<ul style="list-style-type: none"> ♦ completion of 20 years of Creditable Service, or ♦ attainment of age 55 if hired prior to 1978, or ♦ attainment of age 55 with 10 years of Creditable Service, if hired after 1978.
	Eligibility if membership on or after April 2, 2012	<ul style="list-style-type: none"> ♦ attainment of age 60 with 10 years of Creditable Service if classified in Group 1 ♦ attainment of age 55 with 10 years of Creditable Service if classified in Group 2 ♦ attainment of age 55 if classified in Group 4
	Benefit Amount	Product of the member's Benefit Rate, Average Salary and Creditable Service.
	Maximum Benefit	80% of the member's Average Salary.
	Veteran's Benefit	Additional benefit of \$15 per year of Creditable Service, up to a maximum of \$300.
Deferred Vested	Eligibility	<ul style="list-style-type: none"> ♦ completion of ten or more years of Creditable Service. ♦ elected officials hired prior to 1978, completion of six years of Creditable Service.
	Benefit Amount	Accrued benefit payable commencing at age 55, or the completion of 20 years of Creditable Service, or may be deferred until later at the participant's option.
Withdrawal of Contributions		<p>Contributions may be withdrawn upon termination of employment.</p> <ul style="list-style-type: none"> ♦ Members hired on or after January 1, 1984 who terminate with less than ten years of Creditable Service receive contributions plus interest on the Annuity Savings Account at an annual rate of 3%. ♦ All other withdrawals receive contributions plus 100% of the regular interest that has accrued to the Annuity Savings Account.

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Ordinary Disability Retirement	Eligibility	Non-job related disability after completion of ten years of Creditable Service.
	Benefit Amount for Group 1 membership before April 2, 2012 or Group 2 or Group 4	Superannuation benefit determined if the member is age 55, up to a maximum of 80% of Average Salary over three years. If the member is a veteran, 50% of final rate of salary (final year) plus an annuity based on the accumulated member contributions plus credited interest, up to a maximum of 80% of Average Salary over five years.
	Benefit Amount for Group 1 membership on or after April 2, 2012	Superannuation benefit determined if the member is age 60, up to a maximum of 80% of Average Salary over three years. If the member is a veteran, 50% of final rate of salary (final year) plus an annuity based on the accumulated member contributions plus credited interest, up to a maximum of 80% of Average Salary over five years.
Accidental Disability Retirement	Eligibility	Disabled as a result of an accident in the performance of duties. There is no minimum age or service requirement.
	Benefit Amount	72% of Salary plus an annuity based on accumulated member contributions plus credited interest.
	Maximum Benefit	100% of Salary if hired before January 1, 1988, otherwise 75% of Salary.
	Veteran's Benefit	Additional allowance of \$15 per year of Creditable Service, up to a maximum of \$300.
	Supplemental Dependent Allowance	Additional allowance of \$415 per year for each child.
Non-Occupational Death	Eligibility	For members with at least two years of creditable service who die while in active service, but not due to occupational injury.
	Benefit Amount	Benefit as if Option C had been elected. Minimum benefit of \$250 per month for surviving spouse, \$120 per month for first child and \$90 per month for each additional child.

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Accidental Death	Eligibility	For members who die as a result of an occupational injury.
	Benefit Amount	72% of Salary plus an annuity based on accumulated member contributions plus credited interest.
	Maximum Benefit	100% of Salary if hired before January 1, 1988, otherwise 75% of Salary.
	Veteran's Benefit	Additional allowance of \$15 per year of creditable service, up to a maximum of \$300.
	Supplemental Dependent Allowance	Additional allowance of \$708.60 per year for each child until age 18 (or age 22 if a full-time student).
Cost-of-Living Adjustment (COLA)	In accordance with the adoption of Chapter 17 of the Acts of 1997, the granting of a Cost-of-Living Adjustment will be determined by an annual vote by the Retirement Board. The amount of increase will be based upon the Consumer Price Index, limited to a maximum of 3.0%, beginning on July 1. All retirees, disabled retirees and beneficiaries who have been receiving benefit payments for at least one year as of July 1 are eligible for the adjustment. The maximum amount of pension benefit subject to a COLA is \$17,000. All COLAs granted to members after 1981 and prior to July 1, 1998 are deemed to be an obligation of the Commonwealth of Massachusetts and are not the liability of the Retirement System.	
Optional Forms of Payment	A member may elect to receive his or her retirement allowance, payable in monthly installments, in one of three forms of payment: <ul style="list-style-type: none">◆ Option A – Total annual allowance commencing at retirement and terminating at member's death.◆ Option B – A reduced annual allowance commencing at retirement with death benefit equal to excess of member contributions plus credited interest to retirement over annuity benefit paid to member.◆ Option C – A reduced annual allowance commencing at retirement with 66⅔% of benefit continued to designated beneficiary upon death of member. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable increases based on the factor used to determine the Option C benefit at retirement.	

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Valuation Date January 1, 2020

Investment Return 7.75% per year.
The investment return assumption is a long-term assumption based on capital market expectations by asset class, historical returns and professional judgment. We considered analysis prepared by PRIM's investment advisor using a building block approach and using the target asset allocation, expected returns by asset class and risk analysis to determine a long-term expected average annual rate of return.

Annuity Savings Fund Interest Rate 2.00% per year

Amortization Method *Unfunded Actuarial Accrued Liability (UAL):*
Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2034.

Salary Scale The assumed annual rates for salary increases including longevity are illustrated by the following rates:

Years of Service	Groups 1 and 2	Group 4
0	6.00%	7.00%
1	5.50%	6.50%
2	5.50%	6.00%
3	5.25%	5.75%
4	5.25%	5.25%
5	4.75%	5.25%
6	4.75%	4.75%
7	4.50%	4.75%
8	4.50%	4.75%
9+	4.25%	4.75%

The salary scale assumption is a long-term estimate derived from historical data, current and recent market expectations and professional judgment.

Cost-of-Living Allowance Cost-of-Living Allowances (COLA) are assumed to be 3% of the pension amount, capped at \$510 per year.

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-

General Employees: 55% of deaths are job-related.

Police and Fire : 90% of deaths are job-related.

PERAC completed a local system retiree mortality study in 2019 and selected the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. The underlying tables with generational mortality improvement selected reasonably reflect the mortality experience of the System as of the valuation date based on historical and current demographic data as well as professional judgement.

Turnover Rates

Illustrative turnover rates are shown below:

Creditable Service	Groups 1 and 2	Group 4
0	0.1500	0.0150
10	0.0540	0.0150
20	0.0200	0.0000
30	0.0000	0.0000

Disability Rates

Illustrative disability rates are shown below:

Attained Age	Groups 1 and 2	Group 4
20	0.0001	0.0010
30	0.0003	0.0030
40	0.0010	0.0030
50	0.0019	0.0125
60	0.0028	0.0085

General Employees: 55% of disabilities are accidental and 45% are ordinary.

Police and Fire : 90% of disabilities are accidental and 10% are ordinary.

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Retirement Rates

Illustrative retirement rates are shown below:

Attained Age	Groups 1 and 2		Group 4
	Male	Female	Male & Female
50	0.0100	0.0150	0.0200
51	0.0100	0.0150	0.0200
52	0.0100	0.0200	0.0200
53	0.0100	0.0250	0.0500
54	0.0200	0.0250	0.0750
55	0.0200	0.0550	0.1500
56	0.0250	0.0650	0.1000
57	0.0250	0.0650	0.1000
58	0.0500	0.0650	0.1000
59	0.0650	0.0650	0.1500
60	0.1200	0.0500	0.2000
61	0.2000	0.1300	0.2000
62	0.3000	0.1500	0.2500
63	0.2500	0.1250	0.2500
64	0.2200	0.1800	0.3000
65	0.4000	0.1500	1.0000
66	0.2500	0.2000	1.0000
67	0.2500	0.2000	1.0000
68	0.3000	0.2500	1.0000
69	0.3000	0.2000	1.0000
70	1.0000	1.0000	1.0000

The turnover, disability and retirement rates are based on PERAC's most recent experience analysis of local retirement systems which reviewed age, gender and job group. The assumptions reflect this analysis as well as professional judgment.

Actuarial Cost Method

Individual Entry Age Normal.

Actuarial Asset Method

The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:

- a) 75% of gains and losses of the prior year,
- b) 50% of gains and losses of the second prior year,
- c) 25% of gains and losses of the third prior year,

Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.

Census Data

Census data as of the valuation date were submitted by the Retirement Board.

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Asset Data	Asset information is reported annually to the Public Employee Retirement Administration Commission by the Franklin Regional Retirement System.
Dependents	80% of all members will be survived by a spouse. Age assumption for spouses is that males are assumed to be three years older than females.
Net Section 3(8)(c) Transfers	Reimbursements paid to and received from other retirement systems for that portion of a retiree's pension that is based on service earned in another retirement system. Net 3(8)(c) transfers are assumed to be \$1,000,000 per year.
Administrative Expenses	<p>The anticipated administrative expenses for the fiscal year. For Fiscal Year 2021, the administrative expenses were assumed to be \$600,000 and are anticipated to increase 3.5% per year.</p> <p>The administrative expense assumption is based on information relating to the System's administrative expenses provided by the Retirement System.</p>

SECTION 7 - PLAN MEMBER INFORMATION

Exhibit 7.1 - Summary of Census Data as of January 1, 2020

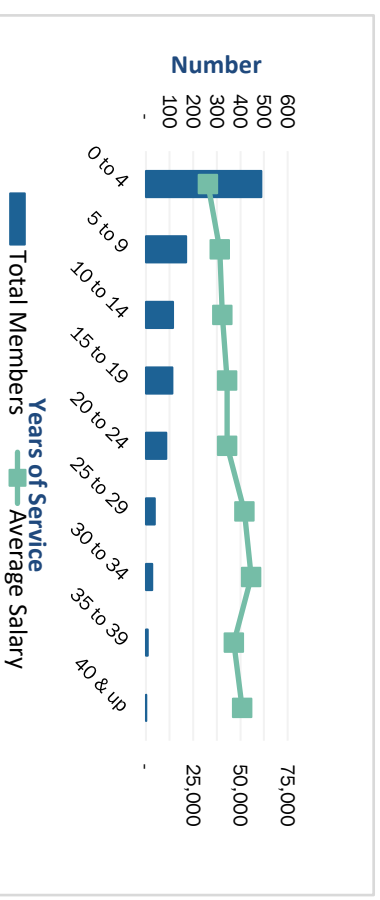
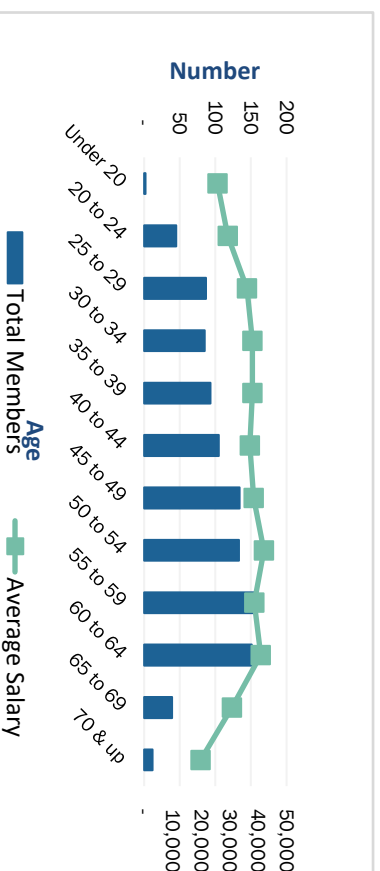
Census data as of December 31, 2019 was provided to us by the Retirement Board. We performed edits on the data to ensure that it is reasonable and complete and made certain assumptions regarding any missing or invalid data so that results are not materially affected. Presented on the following pages are summaries of the demographic profile of active members (Exhibit 7.2) and retired plan members and beneficiaries and disabled plan members (Exhibit 7.3). Below, we present a comparison of the census data from the current and prior valuations:

Valuation Date	January 1, 2020	January 1, 2018	% Change
Census Data			
Active Members	1,044	968	7.9%
Average Age	47.5	48.3	(1.7%)
Average Service	9.2	10.1	(9.0%)
Valuation Salary	\$39,653,264	\$36,446,439	8.8%
Average Salary	\$37,982	\$37,651	0.9%
Retired Members and Beneficiaries	633	580	9.1%
Average Age	72.8	72.6	0.3%
Total Annual Retirement Allowance	\$10,869,040	\$9,531,184	14.0%
Average Annual Retirement Allowance	\$17,171	\$16,433	4.5%
State Reimbursed COLAs	\$27,689	\$34,028	(18.6%)
Total System-Funded Retirement Allowance	\$10,841,351	\$9,497,156	14.2%
Disabled Members	23	23	0.0%
Average Age	60.3	58.3	3.5%
Total Annual Retirement Allowance	\$689,946	\$662,171	4.2%
Average Annual Retirement Allowance	\$29,998	\$28,790	4.2%
State Reimbursed COLAs	\$2,970	\$2,970	0.0%
Total System-Funded Retirement Allowance	\$686,976	\$659,201	4.2%
Inactive Members	611	596	2.5%
Annuity Savings Fund	\$4,356,422	\$3,904,523	11.6%

SECTION 7 - PLAN MEMBER INFORMATION

Exhibit 7.2 - Active Members by Age and Years of Service as of January 1, 2020

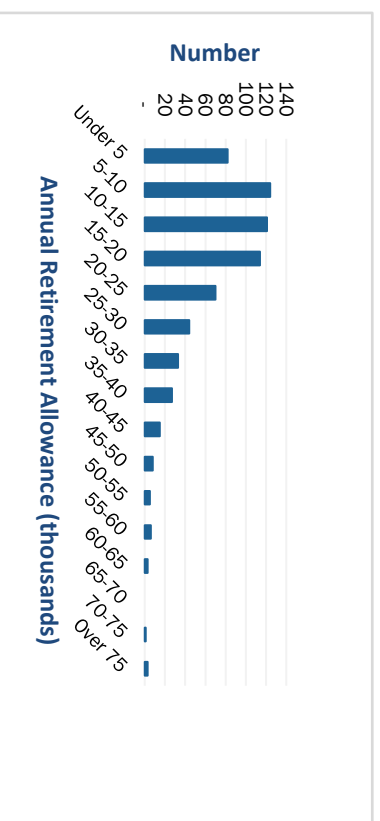
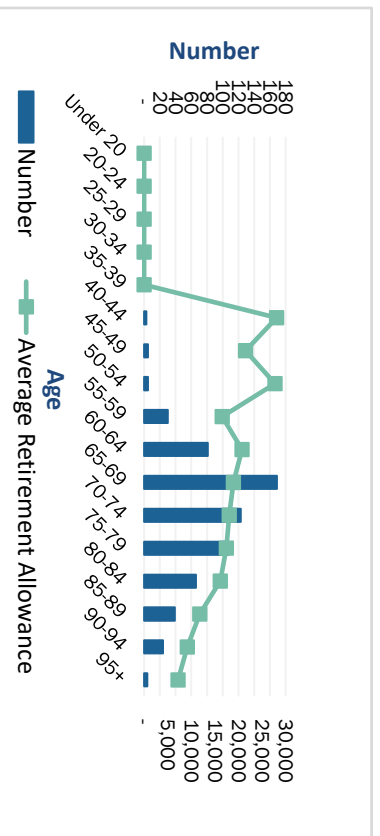
Attained Age	Years of Service											Total	Total Salary	Average Salary
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up					
Under 20	2	-	-	-	-	-	-	-	-	-	-	2	51,541	25,771
20 to 24	44	1	-	-	-	-	-	-	-	-	-	45	1,319,143	29,314
25 to 29	75	12	-	-	-	-	-	-	-	-	-	87	3,139,665	36,088
30 to 34	59	21	4	1	-	-	-	-	-	-	-	85	3,228,530	37,983
35 to 39	58	22	8	5	-	-	-	-	-	-	-	93	3,531,124	37,969
40 to 44	64	18	9	10	3	1	-	-	-	-	-	105	3,902,162	37,163
45 to 49	53	27	24	19	11	-	-	-	-	-	-	134	5,156,665	38,483
50 to 54	41	19	23	17	19	6	8	-	-	-	-	133	5,591,583	42,042
55 to 59	43	21	26	22	25	9	9	3	-	-	-	158	6,116,971	38,715
60 to 64	38	23	14	28	21	16	8	2	1	151	6,177,157	40,908		
65 to 69	9	6	5	7	5	3	2	2	-	39	1,200,464	30,781		
70 & up	3	-	1	3	2	2	-	1	-	12	238,258	19,855		
Total	489	170	114	112	86	37	27	8	1	1,044	39,653,264	37,982		
Average Salary	32,803	39,033	40,451	42,990	42,961	52,110	55,726	46,589	50,888					
	Average Age:											47.50	Average Service:	9.19



SECTION 7 - PLAN MEMBER INFORMATION

Exhibit 7.3 - Annual Retirement Allowances as of January 1, 2020

Attained Age	Service Retirements		Disability Retirements		Beneficiaries	
	Number	Annual Retirement Allowance	Number	Annual Retirement Allowance	Number	Annual Retirement Allowance
Under 20	0	0	0	0	0	0
20-24	0	0	0	0	0	0
25-29	0	0	0	0	0	0
30-34	0	0	0	0	0	0
35-39	0	0	0	0	0	0
40-44	0	0	2	72,828	1	11,458
45-49	0	0	2	91,764	3	15,818
50-54	0	0	3	93,521	2	45,115
55-59	25	370,653	4	113,449	1	12,405
60-64	70	1,548,842	3	84,969	8	48,387
65-69	155	2,985,172	5	114,599	9	94,365
70-74	114	2,099,095	2	55,692	7	64,651
75-79	102	1,740,740	1	37,861	4	84,359
80-84	53	894,178	1	25,263	12	144,016
85-89	37	440,629	0	0	2	20,686
90-94	18	163,015	0	0	6	56,587
95+	4	28,869	0	0	0	0
Total	578	10,271,193	23	689,946	55	597,847
Average Age	72.8		60.3		72.9	
Average Retirement Allowance		17,770		29,998		10,870



SECTION 8 - GLOSSARY OF TERMS

Actuarial Accrued Liability – That portion of the Actuarial Present Value of pension plan benefits which is not provided by future Normal Costs or employee contributions. It is the portion of the Actuarial Present Value attributable to service rendered as of the Valuation Date.

Actuarial Assumptions – Assumptions, based upon past experience or standard tables, used to predict the occurrence of future events affecting the commencement, amount and duration of pension benefits, such as: changes in compensation, mortality, withdrawal, disablement and retirement; rates of investment earnings and asset appreciation or depreciation; and any other relevant items.

Actuarial Cost Method (or Funding Method) – A procedure for allocating the Actuarial Present Value of all past and future pension plan benefits to the current year (Normal Cost) and the past (Actuarial Accrued Liability).

Actuarial Gain or Loss (or Experience Gain or Loss) – A measure of the difference between actual experience and that expected based upon the set of Actuarial Assumptions, during the period between the valuation date and the most recent immediately preceding valuation date.

Actuarial Present Value – The dollar value on the valuation date of all benefits expected to be paid to current members based upon the Actuarial Assumptions and the terms of the Plan.

Amortization Payment – That portion of the pension plan appropriation which represents payments made to pay interest on and the reduction of the Unfunded Accrued Liability.

Annual Statement – The statement submitted by the local retirement board to PERAC each year that describes the asset holdings and Fund balances as of December 31 and the transactions during the calendar year that affected the financial condition of the retirement system.

Annuity Reserve Fund – The fund into which total accumulated Member Contributions, including interest, is transferred at the time a member retires, and from which annuity payments are made.

Annuity Savings Fund – The fund in which Member Contributions plus interest credited are held for active members and for former members who have not withdrawn their contributions and are not yet receiving a benefit (inactive members).

Assets – The total value of the investments held by the Plan trust that are for the payment of promised benefits. Employer appropriations and Member Contributions, as well as investment earnings, are added to the Plan trust. Benefit payments and other disbursements are withdrawn from the Plan trust. For valuation purposes, assets are usually measured at market value.

Cost of Benefits – The estimated payment from the pension system for benefits for the fiscal year.

Expense Fund – The fund into which the appropriation for administrative expenses is paid and from which all such expenses are paid.

SECTION 8 - GLOSSARY OF TERMS

Funded Ratio – The Actuarial Value of Assets expressed as a percentage of the Actuarial Accrued Liability.

Funding Schedule – The schedule based upon the most recently approved actuarial valuation which sets forth the amount which would be appropriated to the pension system in accordance with Section 22D of M.G.L. Chapter 32.

GASB – Governmental Accounting Standards Board.

Normal Cost – Total Normal Cost is that portion of the Actuarial Present Value of pension plan benefits which is expected to accrue in the current fiscal year. The Employee Normal Cost is the amount of the expected Member Contributions for the current fiscal year. The Employer Normal Cost is the difference between the Total Normal Cost and the Employee Normal Cost.

Pension Fund – The fund into which appropriation amounts as determined by PERAC are paid and from which pension benefits are paid.

Pension Reserve Fund – The fund which shall be credited with all amounts set aside by a system for the purpose of establishing a reserve to meet future pension liabilities. These amounts would include excess interest earnings.

Present Value of Future Benefits – The actuarial present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment.

Special Fund for Military Service Credit – The fund which is credited with amounts paid by the retirement board equal to the amount which would have been contributed by a member during a military leave of absence as if the member had remained in active service of the retirement board. In the event of retirement or a non-job related death, such amount is transferred to the Annuity Reserve Fund. In the event of termination prior to retirement or death, such amount shall be transferred to the Pension Fund.

Total Pension Liability – The portion of the Actuarial Present Value attributable to past service in accordance with the Entry Age cost method as stipulated by GASB Statement Number 67 (GASB 67).

Unfunded Actuarial Accrued Liability – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.